BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking Regarding Policies, Procedures and Rules for Development of Distribution Resources Plans Pursuant to Public Utilities Code Section 769.	Rulemaking No. 14-08-013 (Filed August 14, 2014)

COMMENTS OF THE INTERSTATE RENEWABLE ENERGY COUNCIL, INC. ON THE ASSIGNED COMMISSIONER'S RULING RE DRAFT GUIDANCE FOR USE IN UTILITY AB 327 (2013) SECTION 769 DISTRIBUTION RESOURCE PLANS

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December 12, 2014

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Table of Contents

I. Introduction

On November 17, 2014, the Assigned Commissioner issued the Ruling Re Draft Guidance for Use in Utility AB 327 (2013) Section 769 Distribution Resource Plans, requesting comments from parties on the attached draft Distribution Resource Plan Guidance (Draft Guidance). Accordingly the Interstate Renewable Energy Council, Inc. (IREC) submits these comments. IREC previously submitted opening and reply comments on the Order Instituting Rulemaking (OIR) in this docket on September 5 and October 6, 2014, respectively. In addition, IREC attended and presented at the Energy Division's workshop on September 17, 2014.

As in our comments and workshop presentation, IREC continues to envision a new utility distribution planning paradigm in which the utility is indifferent both to the technology used (traditional wires solutions versus non-wires-based solutions, such as distributed energy resources (DER)) as well as the ownership of that technology (utility versus non-utility). Within this framework, the utility would act as a facilitator that selects the most cost-effective distribution system investments that best meet all of the various public policy goals identified by the Commission and helps to direct DER toward optimal locations. We view the distribution resource plans (DRPs) developed in this docket as the first step toward this future paradigm.

IREC generally supports the Draft Guidance, particularly the components directed toward improving the utilities' system information gathering and dissemination.[1] IREC agrees that the utilities' DRPs must balance "promoting grid modernization technologies and minimizing the total expected investment in this system while allowing for deeper penetration of DER through the utility grids."[2] Likewise, we agree that "the DRPs are likely only to be effective if they serve

[1] Draft Guidance at 15-17, 19-21 (Integration Capacity and Locational Value Analyses, and Data Access).

[2] *Id.* at 5.

as the starting point in an on-going effort to integrate DER into distribution planning, operations and investment."[3] IREC appreciates that this is a daunting proposition and supports the Commission's efforts to address it head on.

IREC is concerned, however, that the Draft Guidance does not sufficiently put the utilities on a path toward meeting the Commission's goals of changing the distribution planning process to promote these interests. The Draft Guidance starts in the right place by focusing this first phase on initial evaluation of existing system conditions and potential. While it is not possible to accomplish everything in this first phase, IREC believes that more explicit guidance from the Commission on the longer term goals of the plans could help set a framework for more fundamental changes to the distribution planning process. While we appreciate that it is not practical to entirely reinvent the distribution services model in this proceeding at this time,[4] IREC urges the Commission to acknowledge more clearly the challenges associated with changing utilities' planning processes within the current model. Specifically, as we discussed in our prior comments, the utilities are currently incentivized to make utility-owned capital investments, and have a disincentive to facilitate third-party-owned DER.[5] The integration capacity analysis, DER growth scenarios and demonstration projects do not alter these incentives and therefore may have limited potential to change utility decision-making. In our comments below, IREC suggests changes to the Draft Guidance intended to ensure this first round of DRPs puts the utilities on a path toward meeting the Commission's longer term goals with respect to distribution planning. We also express our support for expanded stakeholder engagement to

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3 *Id.* at 23-24

4 *See id.* at 6.

5 *See* Comments on the Order Instituting Rulemaking of the Interstate Renewable Energy Council, Inc., at 5-7, 20-21.

incorporate non-utility perspectives and an ongoing public process at the Commission to consider these important issues.

II. The Draft Guidance Provides a Useful Framework for the Utilities' First Round of DRPs.

As indicated above, IREC generally supports the Draft Guidance and we believe that it provides a useful framework for the utilities' initial DRPs. We especially agree that the "[t]he goal of § 769 must be understood in the context of both the five explicit requirements that must be addressed in the DRPs, as well as a broader context of California's energy and climate goals."[6] In our prior comments, IREC emphasized the importance of tying the DRPs to statewide policy goals and the Draft Guidance takes a step toward doing that.[7] We also support the parallel goals identified in the Draft Guidance, which include: (1) modernizing the electric distribution system to accommodate two-way flows of energy and energy services; (2) enabling customer choice of new technologies and services; and (3) animating opportunities for DER to realize benefits through the provision of grid resources.[8] Likewise, we appreciate the intention that DRPs be responsive to future statutory goals with a bearing on DER deployment.[9] Ultimately IREC continues to believe that it is critical for the Commission to be clear that the underlying driver for changing the distribution planning process via the DRPs is to more effectively and cost-efficiently meet the identified statewide policy goals.

In addition to the articulation of the goals for the DRPs, IREC also supports the Draft Guidance's acknowledgment of party consensus in prior comments that the utilities should

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6 Draft Guidance at 4.

7 *See* Reply Comments on the Order Instituting Rulemaking of the Interstate Renewable Energy Council, Inc., at 5-7 [hereinafter IREC OIR Reply Comments].

8 *See* Draft Guidance at 5.

9 *See id.* at 12.

submit DRPs cyclically.[10] We appreciate that it is important to build a foundation in these initial DRPs that will expand in scope and function over time, and to integrate the DRPs with transmission planning and other related efforts.[11] Similarly, we support the emphasis in the Draft Guidance on consistency between utility DRPs and agree that standardization to the extent possible is in the public interest.[12] IREC also supports the explicit recognition that the DRPs will rely on and be impacted by a range of other proceedings.[13] As we discuss more specifically with respect to interconnection below in Section III.D, however, we remain concerned about important issues falling through the cracks between proceedings. Nonetheless, IREC appreciates the intention to maintain close coordination between all relevant proceedings.

III. The Draft Guidance Could Be Improved in Certain Respects to Ensure That the Utilities' Initial DRPs Are Effective First Steps Towards Achieving the State's Various Policy Goals.

A. Although Promoting Close-to-Load DER Is Highly Important, There May Be Optimal Locations on Lines Larger Than 16 kV and the Scope of the DRPs Should Explicitly Include These Areas of the Grid as Well.

IREC is supportive of efforts to focus DER development in areas located close to load since DER located close to load are likely to provide the types of grid benefits envisioned in the Draft Guidance,[14] as well as other benefits such as environmental and land-use benefits. Thus locating DER in this way should be encouraged. IREC does not agree, however, that the DRPs should focus on lower voltage lines.[15] There are various factors that drive DER to a given location and it is likely that it will continue to make sense in some cases to locate some DER on

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[10] *Id.* at 6, 23-24 (requiring at least a biennial DRP filing cycle).

[11] *See id.* at 13, 23-26.

[12] *See id.* at 3.

[13] *See id.* at 10-12.

[14] *See* Draft Guidance at 16-17.

[15] *See id.* at 10.

larger lines, for example due to less expensive land prices. These DER will need to be incorporated into utilities' forecasting and distribution planning processes in similar ways to DER located on lower voltage lines, including identifying optimal locations for these DER. Moreover DER on these higher voltage lines may also be close to load, or even customer-sited. Therefore, IREC suggests that the Draft Guidance language should be refined to indicate that the scope of the DRPs extends to the utilities' entire distribution systems.

B. The Proposed Integration Capacity and Locational Value Analyses Are Especially Critical Components but Require Some Revisions to Be as Useful as Possible.

As indicated at the outset, IREC is especially supportive of the components of the Draft Guidance directed toward improving the utilities' system information gathering, including the integration capacity and location value analyses.[16] In fact, the proposed integration capacity analysis closely mirrors the first two steps of IREC Integrated Distribution Planning concept and we agree that these analyses reflect appropriate starting points.[17]

IREC suggests that the Draft Guidance be modified to specify the following components for the integration capacity analysis:

- The utilities should conduct this analysis down to the circuit level. IREC notes that the Draft Guidance already indicates this and we emphasize its importance.[18]

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[16] *See id.* at 15-17.

[17] *See* IREC, *Integrated Distribution Planning Concept Paper: A Proactive Approach for Accommodating High Penetrations of Distributed Generation Resources* at 9-12 (May 2013), *available at* www.irecusa.org/wp-content/uploads/2013/05/Integrated-Distribution-Planning-May-2013.pdf ((1) forecast DG growth on the circuit, (2) establish the hosting capacity and allowable penetration level and (3) determine available capacity on the distribution circuit).

[18] *See* Draft Guidance at 15.

- The analysis should be updated on at least a monthly basis. Again, IREC recognizes that the Draft Guidance addresses this and we agree such regular updates are essential to ensuring this information remains useful.[19]
- The utilities should publish all assumptions used to determine circuit capacity. The Draft Guidance already specifies that the analysis must include clearly articulated assumptions for any changes in load and DER growth over the two-year period,[20] however IREC believes such transparency should extend to all assumptions on which the analysis relies.
- Regarding the articulation of assumptions related to changes in load and DER growth, these assumptions should explicitly include all assumptions related to customer adoption of DER.[21] IREC believes that the importance of incorporating customer DER adoption into utility assumptions and forecasting is implicit in this provision, however we suggest that it is important to clarify explicitly that this is the case. IREC and several other parties emphasized in prior comments how critical it will be for utilities to acknowledge and incorporate customer adoption of DER into their DRPs.[22] IREC believes that the Draft Guidance should appropriately reflect this stakeholder priority and the utilities should be required to explain how customer-sited DER was taken into account.

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19 *See id.* at 16.

20 *See id.*

21 *See id.*

22 *See* IREC OIR Reply Comments at 8-10 (including footnotes 7, 8, 12 and 13, referring to comments from Solar City, The Vote Solar Initiative, Alliance for Retail Energy Markets, and the Bioenergy Association of California et al.).

- The utilities should conduct this analysis with the intent to share the information produced via the utilities' online circuit-level maps and potentially other forums. IREC recognizes that the Draft Guidance already specifies that the results of the integration capacity analysis must be published via the utilities' online maps.[23] We emphasize, however, that the utilities should be directed to conduct their analyses in a way that produces data that can be readily shared in these and other forums.

IREC's understanding is that this integration capacity analysis will serve as a circuit-by-circuit baseline for the utilities and DER developers to rely on in the DRPs and other related tariffs and processes. IREC notes, however, that identifying a static capacity for DER on a given circuit is difficult, if not impossible, given the variety of DER products and their functions. For example, a circuit that is "at capacity" for distributed generation may have plenty of "available capacity" for energy storage. Moreover, if energy storage were deployed on that circuit, then the available capacity for distributed generation may be increased substantially. Therefore we believe that it will be essential for utilities to be clear and transparent regarding the data they share, how it is calculated, and what it is intended to convey.

Regarding the optimal location benefit analysis, IREC's understanding is that this analysis is focused on the net benefit of a DER installation at a specific location and therefore is more limited in the types of benefits considered. We believe that this is appropriate in this instance. In other benefit-cost analyses, for example of a statewide program such as net energy metering, IREC suggests that other benefits, including avoided environmental compliance costs and societal benefits, should also be included. Therefore we recommend adding clarifying language into this section to indicate clearly that the guidance regarding benefits is narrowly

[23] *See* Draft Guidance at 15.

applicable to this proceeding. It should be clear that it is intended to identify locations where DER may add the most value to the system and not the total value or rate that should be set for the DER located there. In addition, IREC suggests that the Draft Guidance should specify that an appropriate timeline must be used when this locational net benefits methodology is applied to particular DER. For example, 25 years would be appropriate for distributed solar photovoltaics, given the approximate lifetime of such an investment. Just as utilities consider the value of traditional infrastructure investments over an appropriate timeline for those investments, they should also consider the long-term value of DER resources sited at optimal locations in this way.

While the optimal location benefit analysis is critically important, IREC does not believe the Commission should see this as the sole function of the DRPs. While the statute focuses on identifying optimal locations,[24] IREC suggests the DRPs would have greater value overall if they demonstrate how utilities plan to improve the integration of DER more generally and set forth a path to integrate DERs into the traditional distribution planning process. This may include the need to plan for integration of customer-sited DER that are not sited in optimal locations. IREC believes that it would be appropriate for the DRP guidance to clarify that the new or modified tariffs and contracts proposed by the utilities should not only cover the solicitation of DER at optimal locations, but also any changes needed to integrate DER more effectively overall. In particular, we expect this would include modifications to the interconnection tariff, Rule 21, as discussed in more detail below in Section III.D.

[24] *See* Cal. Pub. Util. Code § 769(b) (". . . each electrical corporation shall submit to the commission a distribution resources plan proposal to identify optimal locations for the deployed of distributed resources).

C. While the Proposed Demonstration Projects Can Help Utilities Gain Valuable Insight into How to Improve the Integration of DER into Distribution Planning, the DRPs Should Include Utilities' Visions for How to Bring These Efforts to Scale.

IREC generally agrees that the demonstration efforts identified in the Draft Guidance target appropriate elements and will be useful.[25] The guidance should clarify, however, that utilities should undertake these demonstration efforts with the longer-term goals for the future of the distribution planning process in mind. These include specifically the improved integration of DER into distribution planning to more effectively and cost-efficiently achieve the State's various policy goals. The utilities should be required to articulate explicitly how these demonstration efforts will support a broader transformation of their distribution planning processes. Such articulation should help to give the Commission assurance that the utilities are viewing these demonstration efforts as a first step toward a more significant evolution.

D. The Interconnection Process to Date Has Been Reactive and the DRPs Offer an Opportunity to Begin Envisioning a More Proactive Process for Interconnecting DER.

IREC strongly agrees with the Draft Guidance that "[o]ne integral step in this process is the need to dramatically streamline and simplify processes for interconnecting to the distribution grid to create a system where high penetrations of DER can be integrated seamlessly."[26] Likewise IREC appreciates the Commissions acknowledgment of the overlap between this proceeding and Rulemaking (R.)11-09-011, the interconnection proceeding.[27] We support the requirement in the Draft Guidance that utilities "develop recommendations for further

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[25] *See* Draft Guidance at 17-19.

[26] *Id.* at 5.

[27] *See id.* at 10-11.

refinements to interconnection policies that account for locational values."[28] IREC agrees that this will be a valuable step but notes that there are other critical issues at play that touch both this docket and R.11-09-011, and we urge the Commission to require the utilities to address these explicitly, as well.

For example, the Draft Guidance notes that a "significant component" of the locational net benefit calculation will be whether DER can serve as an alternative to system upgrades.[29] IREC fully agrees and believes the guidance should further specify that utilities must look to help innovate and improve the process for making upgrades where needed, potentially via more proactive system planning that considers likely DER growth. Similarly, IREC believes that it will be essential to address the appropriate allocation of system upgrade costs in the DRPs and/or the interconnection proceeding or tariff. Today the first developer to cause the need for an upgrade pays the cost of that upgrade. Going forward, however, as utilities plan to accommodate more DER, it may make sense to spread those costs across groups of developers and potentially the rate base to the extent an upgrade is more broadly beneficial. IREC suggests that the guidance require utilities to go into more detail regarding the interconnection-related issues that need to be addressed and in which proceeding to address them.

In addition, the data sharing requirements in the Draft Guidance should support the effort to update and streamline the interconnection process.[30] The guidance should incorporate timelines for when utilities will begin sharing these various data. For example, the Draft Guidance specifies that the initial integration capacity analysis must be completed by each utility by July 1, 2015, however it is not clear whether the results must also be published via the online

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[28] *Id.* at 21.

[29] *Id.* at 5.

[30] *See id.* at 19-21.

maps by this date.[31] IREC suggests that they should be. Likewise similar deadlines should be established for the distribution system characteristics and distribution planning data described later in the Draft Guidance.[32] While timelines may vary depending on the type of data, the utilities should be required to share this data as soon as possible.

IV. The DRP Proceeding Should Be a "Living" Process and the Commission Should Continue to Revisit the Appropriate Contents and Procedure Associated with the DRPs Going Forward to Ensure the DRPs Meet the Commission's Longer Term Goals Associated with Distribution Planning.

IREC supports the Draft Guidance's goal of having this proceeding be a "living one" and the phases that it identifies seem appropriate.[33] As indicated above, the guidance could be improved by including more specific requirements for utilities to indicate how these initial DRPs will feed into future, more comprehensive planning changes. It will be important to get stakeholder input on scoping the future of the DRPs, as well as utility input.

Similarly IREC supports the intention to engage stakeholders as utilities develop their DRPs.[34] In particular, it would be useful to get non-utility input regarding barriers to DER deployment to inform Commission's review of the utilities' articulation of the barriers in their DRPs.[35] While the utilities' perspective will be important regarding barriers, other parties' perspectives, especially DER providers and customers, will also be particularly important to obtain on this issue.

IREC also emphasizes the importance of a public process at the Commission to address the critical issues associated with this proceeding. We appreciate the value of the *More Than*

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31 *See* Draft Guidance at 15.

32 *See id.* at 20.

33 *See id.* at 24-26.

34 *See id.* at 13.

35 *See id.* at 22-23.

Smart initiative,[36] but ultimately all of these topics must be vetted in a public process at the Commission, whether in this docket or another one. Having these discussions at the Commission puts all parties on notice regarding the issues under consideration. It is essential that the Commission hear all voices on these issues as we move towards a new energy future.

V. Conclusion

In closing, IREC reiterates our support for the Draft Guidance. The suggestions we have offered in these comments are intended to help to ensure that the resultant DRPs are the first step towards more comprehensive improvements to the utilities' distribution planning processes. We look forward to the final guidance and to continuing to provide input in this proceeding, including regarding the utilities' DRPs once they issue them.

Respectfully submitted at Oakland, California,

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Date: December 12, 2014

[36] *See id* at 6-9.